

**cult** WINE  
INVESTMENT

# CHAMPAGNE INVESTMENT REPORT 2022





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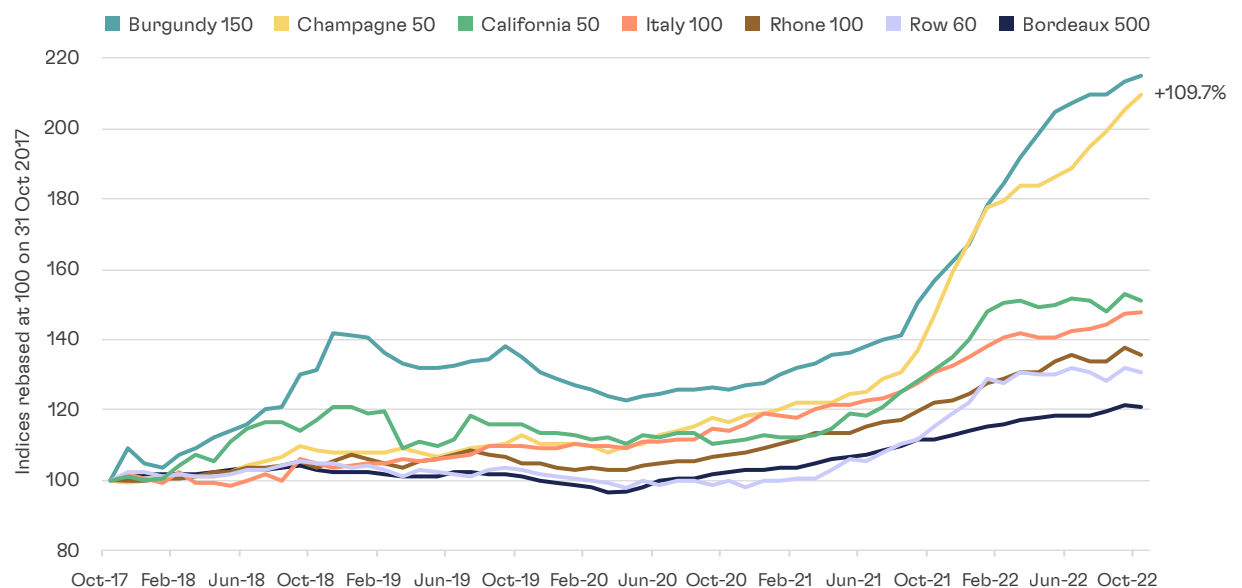
# CHAMPAGNE MARKET SUMMARY

Champagne's investment potential now speaks for itself. The region has become an essential component of a fine wine allocation by posting some of the biggest returns. The Liv-ex Champagne 50 index has been

the top performer since the beginning of 2021 (as of 31 Oct 2022). Its 76.6% surge over this period is more than twice the pace of the wider Liv-ex 1000 index (+36.1%) and even ahead of Burgundy 150's 68.4% rise.

## FIGURE 1 – Champagne's sustained outperformance

Champagne 50 index vs other Liv-ex indices (31 Oct 2017–31 Oct 2022)



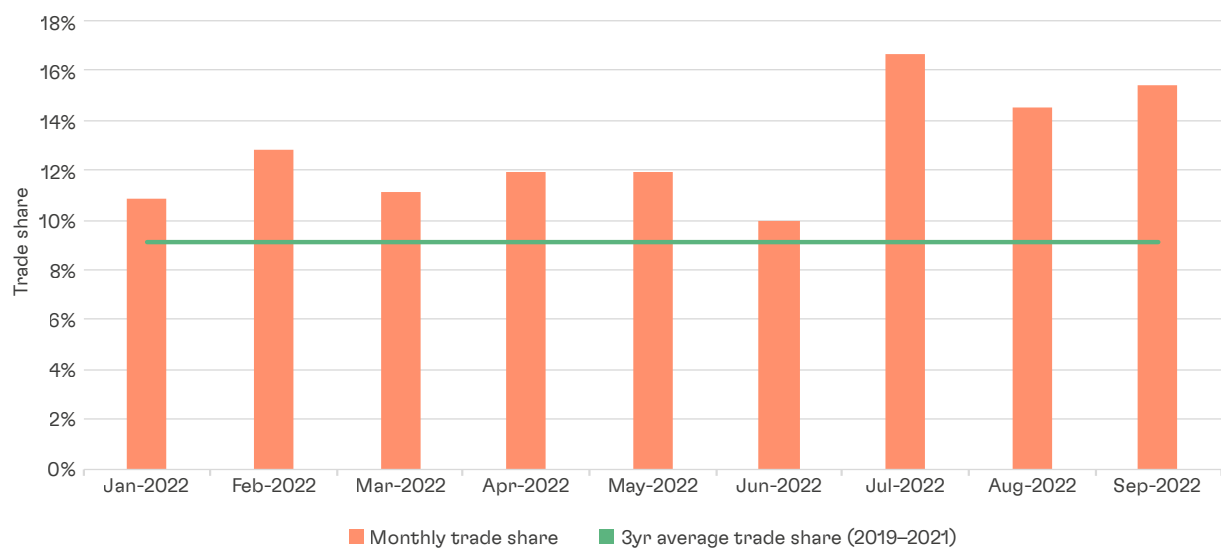
Source: Liv-ex as of 31 October 2022. Past performance is not a guarantee of future returns.

The relentless nature of Champagne's rally makes it even more impressive. Earlier this summer, the wider fine wine rally eased temporarily – even Burgundy prices moved sideways in July – but Champagne kept bubbling higher.

Champagne's trade share also underlines its status as a core component of fine wine collections and investment portfolios. Once a sidenote to Bordeaux and Burgundy, Champagne's trade share by value has hit all-time highs this year with a current monthly average of 12.8% as of September – an impressive rise from annual trade shares of just over 1% in the early 2010s.

## FIGURE 2 – Champagne's new normal trade share

Monthly trade share by value vs three-year average.



Source: Liv-ex as of 30 September 2022.



## CHAMPAGNE MARKET TRENDS

Champagne, like the wider fine wine market, has benefitted from sustained demand through the difficult macroeconomic backdrop in 2022, as investors seek out stable, real assets amid inflation and volatility in mainstream financial markets. Specific trends driving Champagne prices higher include:

- 1 **INCREASED INVESTMENT DEMAND** – Champagne makes a natural investment due to strong global demand, rarity and ageing potential. Vintage Champagnes are not produced every year and quantities are low when they are.

The ongoing development of the fine wine investment space has boosted the awareness of Champagne's potential and attracted new demand, exacerbating the supply-demand imbalance.

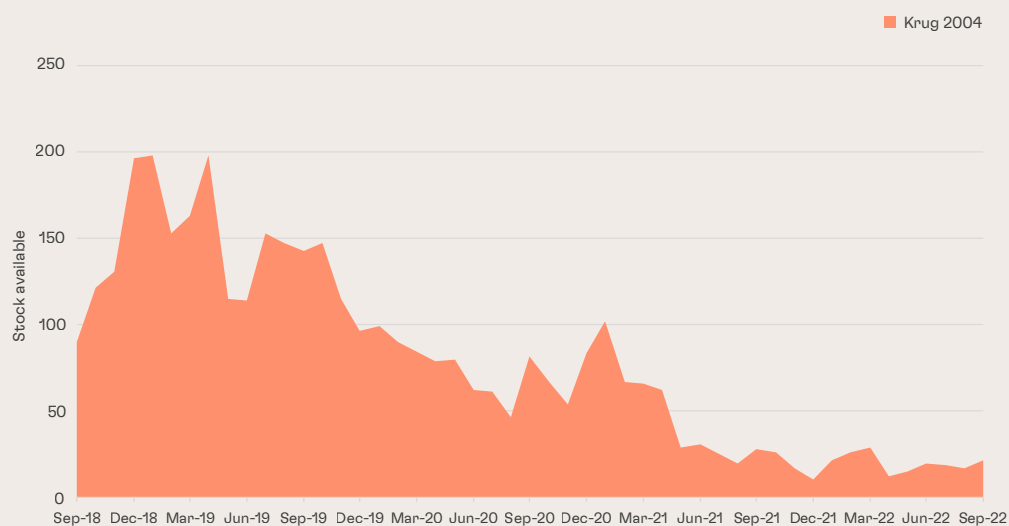
- 2 **LUXURY BRAND APPEAL** – Champagne is an icon of not just fine wine but of the wider fashion and luxury world alongside items such as clothing, handbags, and watches. Most of these markets experienced rising prices in 2021, according to Knight Frank's Wealth Report 2022. This appears to have carried over into 2022 with luxury brand icon LVMH (owner of Moët & Chandon, Krug, Dom Pérignon, Ruinart, Veuve Clicquot) reporting strong results over the first three-quarters of 2022 with its Champagne & Wines division a key driver with 32% growth.

Champagne's luxury image stems from its exclusivity. Although other regions produce excellent quality fizz, Champagne's top names have no rival when it comes to brand recognition and prestige.

- 3 **SUPPLY CONSTRAINTS** – Below-average production levels in recent years, particularly during the 2019 and 2020 growing seasons, also means supply has struggled to keep up with demand. The link between production levels and market supply is less direct in Champagne than other regions as vintages take many years before coming to market. But the squeeze in recent years has meant less flexibility for producers and added pricing pressure on back vintages, which have been an increasingly scarce commodity as illustrated below by the Krug 2004 Brut example.

## FIGURE 3 – Shrinking availability in market

Monthly listings of Krug 2004 Vintage Brut on Liv-ex



Source: Liv-ex as of 30 September 2022.

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**ROSÉ AND LARGE BOTTLE FORMAT PREMIUMS** – The scarcity appeal of Champagne rises to another level for rare rosé and large bottle format sparkling wines. Rosé Champagnes from top name producers have outperformed in recent years and command a premium to their white counterparts. Extra-rare large bottle formats have seen their share of the global trade surge over the past year.

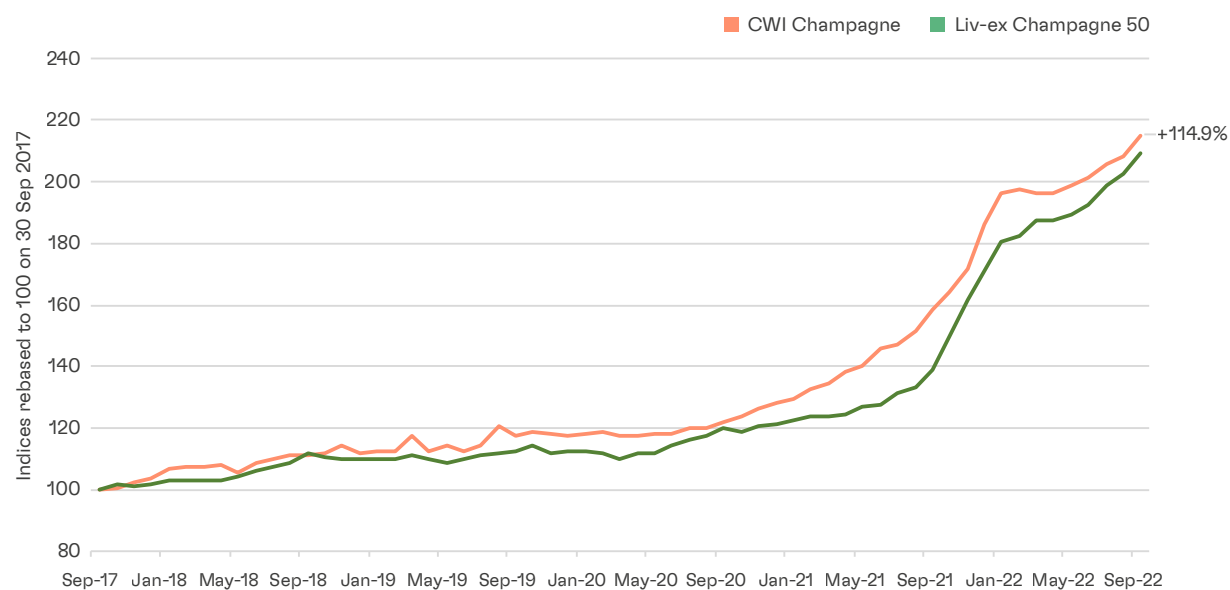




# CULT WINE INVESTMENT PERFORMANCE

## FIGURE 4 – Keeping ahead of a hot market

Cult Wine Investment's Champagne selections vs Champagne 50 index (30 Sep 2017–30 Sep 2022)



Source: Liv-ex as of 30 September 2022. Past performance is not a guarantee of future returns.



Cult Wine Investment's performance has kept ahead of the red-hot Champagne market in recent years. Our outperformance stems from both our selections among leading Grandes Marques vintage wines, which also make up the Champagne 50 index, as well as our diverse approach that includes Grower producers.

This Grower Champagne category has seen increased attention in recent years. Names such as Jacques Selosse are now among the most recognised and coveted in the region. Cedric Bouchard, another important Grower, has played a lead role in our performance in recent years (see below).

Among the Grandes Marques, a few vintages of Salon's iconic and very rare Le Mesnil-sur-Oger Grand Crus have made sizable contributions to our performance.

Notable Cult Wine Investment performers	1yr return
Cedric Bouchard, Roses de Jeanne Cote de Val Vilaine 2016	146.6%
Bollinger, RD 1997	110.9%
Salon, Le Mesnil-sur-Oger Grand Cru 2002	86.5%
Salon, Le Mesnil-sur-Oger Grand Cru 2006	79.4%
Louis Roederer, Vintage Brut 2008	79.1%

Notable Cult Wine Investment performers	5yr return
Cedric Bouchard, Roses de Jeanne Les Ursules Blanc de Noirs 2012	331.7%
Salon, Le Mesnil-sur-Oger Grand Cru 2004	245.8%
Salon, Le Mesnil-sur-Oger Grand Cru 2006	232.3%
Charles Heidsieck, Blanc des Millenaires Brut 1995	193.3%
Krug, Clos du Mesnil 2000	137.1%

*Source: Pricing data from Wine Searcher as of 01 October 2022.  
Past performance is not a guarantee of future returns.*





# CHAMPAGNE MARKET OUTLOOK



It's reasonable to wonder how much fizz is left in Champagne's bull market. Ultimately, we remain positive on Champagne's ability to outperform while recognising the following reasons for caution:



**MACRO BACKDROP** – While fine wine has demonstrated an ability to maintain performance during different macro backdrops, a protracted slowdown and cost-of-living concerns could impact fine wine consumption including Champagne.



**RELATIVE VALUE** – Following the huge price rises of the past two years, Champagnes are now more expensive and offer less relative value compared to other fine wine regions. The fact that Champagne is unique and supplies limited should mean prices keep trending higher over the long term, but the pace may ease.

However, global prestige and scarcity anchors Champagnes' investment potential. Specifically, we believe Champagne can continue to outperform many other segments of fine wine due to the following reasons:



**TRACK RECORD DURING DOWNTURNS** – As mentioned above, Champagne has posted impressive figures even as the macro outlook deteriorates this year. Going back further, Champagne's track record during the global financial crisis points to its ability to keep its head above water during downturns.

Global Financial Crisis – 18mo return	Champagne 50	Liv-ex 1000	S&P 500 (TR)
31 Dec 2007 – 30 Jun 2009	7.8%	2.9%	-35.0%

*Source: Pricing data from Liv-ex, investing.com as of 31 October 2022.  
Past performance is not a guarantee of future returns.*



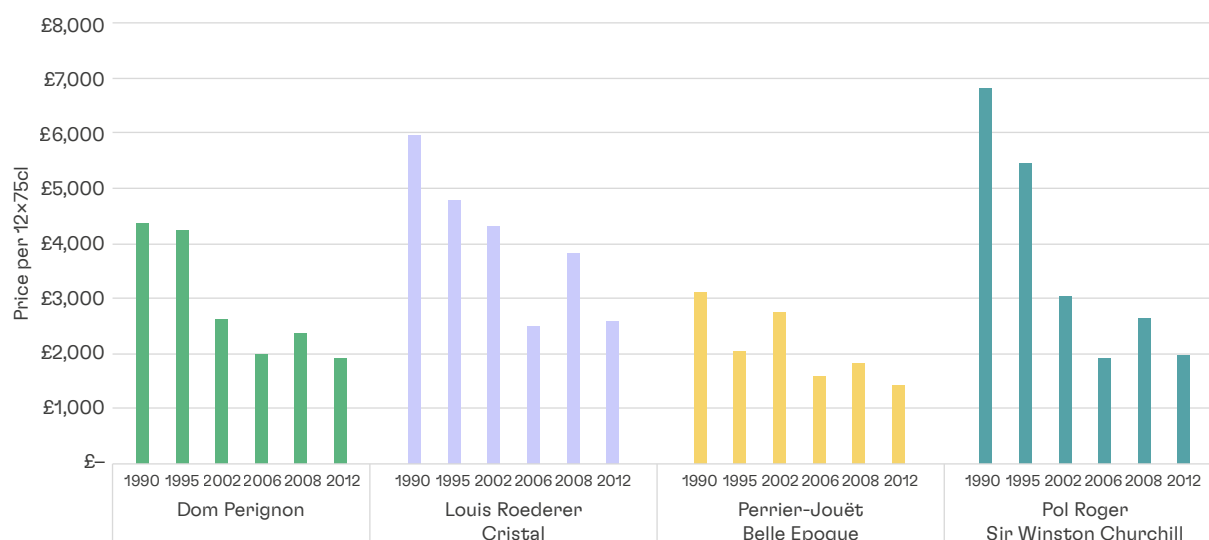
**VALUE ON THE AGEING CURVE** – Rare Champagnes show a strong correlation between age and price. Even though there are more investment-minded buyers in the Champagne market now, Champagne's status as a high-end celebration drink means supplies at the top end of the market dwindle as bottles are drunk, causing prices to rise consistently over time.





## FIGURE 5 – The rewards of time

Price comparison of old and new vintage of select target producers



Source: Pricing data from Wine Searcher as of 01 October 2022.  
Past performance is not a guarantee of future returns.



**STILL SCARCE** – The flip side of this ageing curve is that back vintage Champagnes remain scarce, which will keep price pressure in place despite their high prices.



**ROOM FOR GROWTH** – The all-important Asia market made up just over 7% of Champagne trade so far this year, according to Liv-ex data as of late September. The potentially massive Asian market's small representation indicates that more demand could still come on board. The influx of demand from Asia drove big rallies in Bordeaux and Burgundy over the past decade.



# CULT WINE INVESTMENT APPROACH

Since relative value is now squeezed, finding Champagnes that can outperform the wider market will require greater selectivity. Additionally, sourcing top Champagnes remains a challenge.

But these challenges can be turned into positives, as the competitive market means upward price pressure remains in place. A diverse approach can help identify the wines best positioned for ongoing growth.

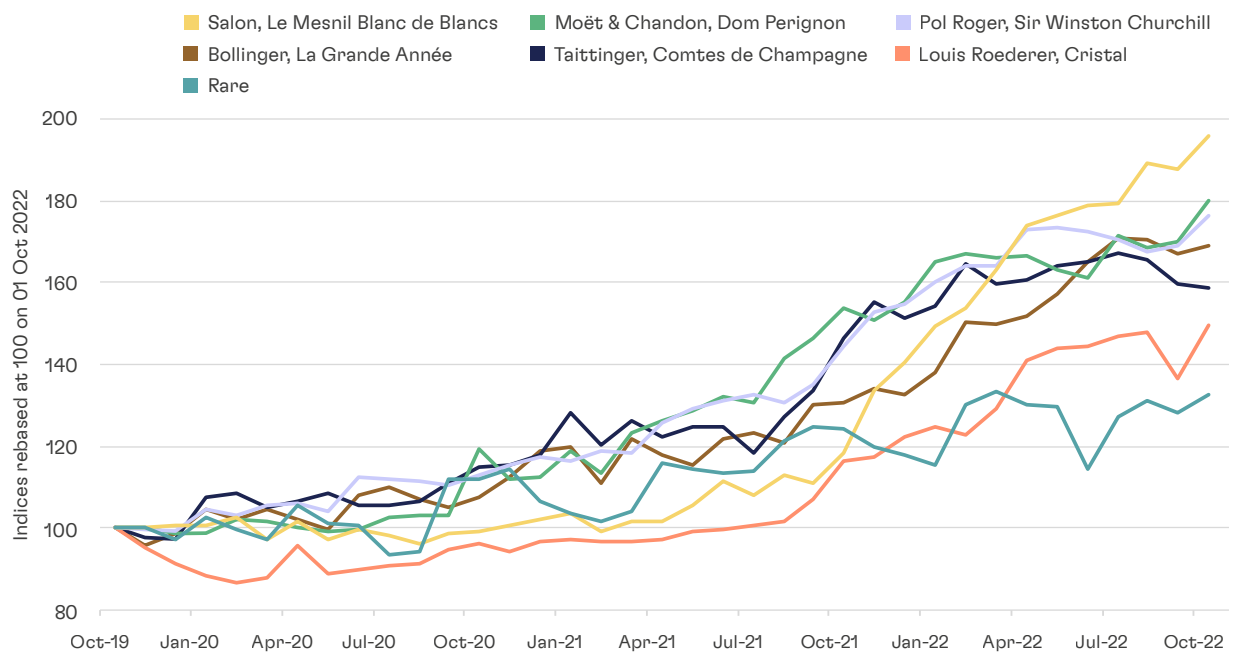
We start by dividing the market into segments and focussing on a select group of target producers in each, which are outlined below.



## POWER OF PRESTIGE – LES GRANDES MARQUES

FIGURE 6 – Target Grandes Marques deliver over the long-term

Three-year performance of Cult Wine Investment's target producers



Source: Pricing data from Wine-Searcher as of 01 October 2022. Returns were calculated based on last 10 vintages except for Rare which is based on 4 vintages (due to the lack of pricing availability). Past performance is not a guarantee of future returns.

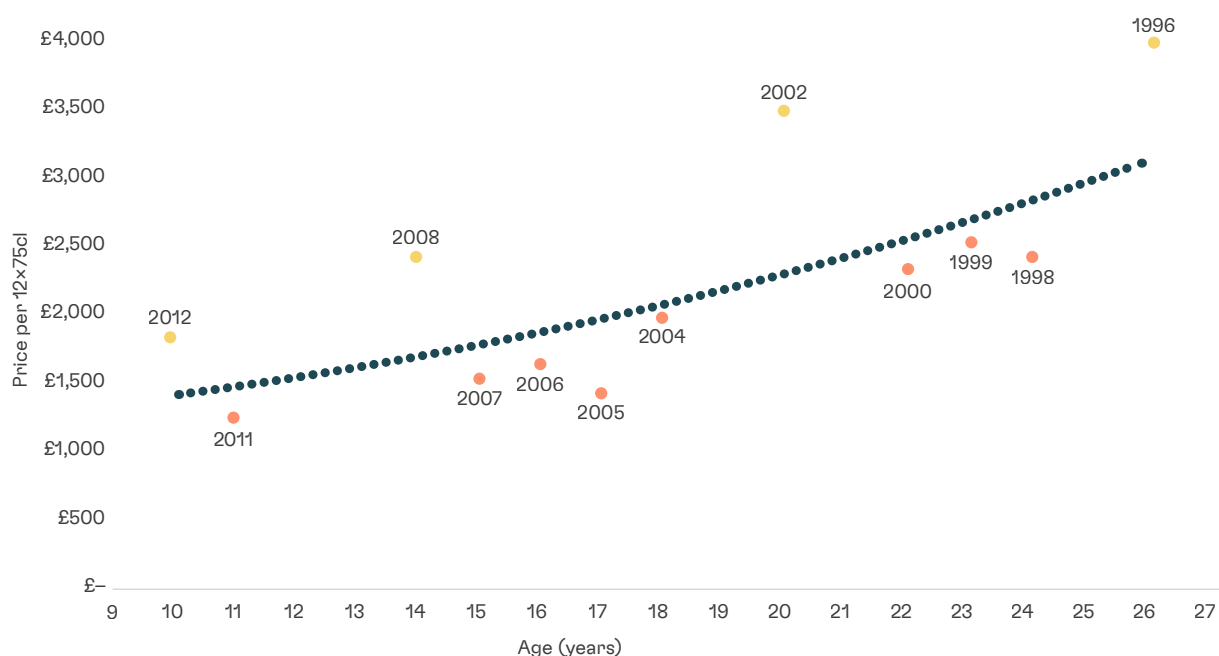


Vintage Champagnes from Les Grandes Marques (“great brands”) remain the core of the regional investment market. Benefitting from brand prestige, Les Grandes Marques generate strong, consistent global demand. Combined with high-quality and low production levels, this should drive long-term price appreciation even after the big jumps in recent years.

Many of the Grandes Marques, such as the iconic Taittinger Comtes de Champagne (see Figure 7 below), show a strong correlation between price and age, suggesting there is still growth potential among the newer vintages.

## FIGURE 7 – Value in youth

Taittinger Comtes de Champagne vintage curve



Source: Pricing data from Wine Searcher as of 01 October 2022



## CULT WINE INVESTMENT'S TARGET LIST

**BOLLINGER, LA GRANDE ANNÉE** – With roots in Champagne wine production dating back to the 1500s, Bollinger has always been one of most renowned producers. La Grande Année, formerly known as 'Bollinger Vintage', is the house's prestige Champagne, only produced when the harvest reaches perfection.

The 2014 vintage was released earlier this year (disgorged in 2021), and critics point to a strong vintage (98pts, A. Galloni, Vinous).

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**TAITTINGER, COMTES DE CHAMPAGNE** – The Comtes is one of the most prized Blancs de Blancs, consistently pulling in high critic scores, making it a sound investment option.

The 2012 Blanc de Blancs Comtes de Champagne recently hit the market and appears to be a young legend, drawing comparison with the iconic 2002 vintage.

**“If it gains in tension and cut (as the 2002 did and as I suspect the 2012 will) with more time on cork, it will make this initial rating seem conservative.”**

**—WILLIAM KELLEY, WINE ADVOCATE (95+ POINTS)**

The rosé version of Comtes de Champagne is just as renowned and has seen average prices across all vintages jump 24% in the past 12 months, according to Wine Searcher data (UK retail average price across all vintages as of Oct 2022).

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**LOUIS ROEDERER, CRISTAL** – This prestigious wine's brand benefits from its association with celebrities and high society. Produced only during the very best years when Chardonnay (40%) and Pinot Noir (60%) grapes have achieved perfect maturity, Cristal is then aged for six years and left for a further eight months after disgorgement

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**MOËT & CHANDON, DOM PERIGNON** – The Vintage and Vintage Rosé are possibly the most widely recognised high end Champagne in the world. Alongside consistent quality, this helps ensure they are a safe investment.

The 2004 Dom Perignon P2 (Plénitude 2) hit the market earlier this year and has met with predictably favourable review (95pts Wine Advocate). The P2 wines undergo longer ageing, typically around 10–15 years on the lees, adding even more depth and complexity.



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**POL ROGER, SIR WINSTON CHURCHILL** – This prestige cuvee is named after Winston Churchill who said of Pol Roger: “In victory deserve it. In defeat, need it!”. The exact blend is a closely guarded family secret, adding to its allure.

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**SALON, LE MESNIL BLANC DE BLANCS** – Salon is a name that conjures up thoughts of exclusivity and excellence amongst Champagne aficionados. Salon has produced 37 vintages since production of this original Blanc de Blancs began in 1911. The recently released 2012 (first release in four years) pulled in 98 points (WA) and was called

“the finest Salon produced this millennium”

BY WILLIAM KELLEY

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**KRUG, VINTAGE BRUT** – Crafted from a variety of wines from a single year, Krug Vintage is “not the selection of the best wines of a particular year, but rather the expression of that year”, according to Krug. Each vintage is cellared for at least a decade before release. The 2008 vintage (94+ points WA) offers an excellent example.

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**RARE BRUT** – The ‘rarest’ Champagne you’ve probably never heard of, Rare very much lives up to its name with only 11 vintages since inception in 1976. Rare represents an excellent investment opportunity as the global awareness should grow. Rare is attractively priced vs the other names in the list despite often-similar critic scores in the in mid-90s.



## BURGUNDY WITH BUBBLES – GROWER CHAMPAGNES

### 3-year price return of select Grower Champagnes

Jacques Selosse, Millesime, 1996	208.9%
Egly-Ouriet, Cuvee Speciale Grand Cru, Ambonnay, 2002	173.1%
Ulysse Collin, Les Maillons Blanc de Noirs Extra Brut, 2015	97.2%
Agrapart & Fils, Avizoise Blanc de Blancs Extra Brut Grand Cru, Avize, 2007	78.0%

*Source: Pricing data from Wine Searcher as of 01 October 2022.  
Past performance is not a guarantee of future returns.*

Grower Champagne producers are those that make their own wine with grapes from vineyards they own rather than sourcing grapes from multiple sites. Their investment credentials rest on the combination of low volumes and individuality.

The best wines are one-of-a-kind expressions of the producers' own vineyards, which enhances their status as exclusive collector or investment items with 'cult-like' followings reminiscent of Burgundy.





## CULT WINE INVESTMENT'S GROWER TARGET LIST

**JACQUES SELOSSE** – One of the most famous Grower Champagnes, our selections among Jacques Selosse Champagnes have delivered some of the strongest returns in recent years.

**EGLY-OURIET** – As one of the greatest Grower Champagne producers, Egly-Ouriet is often referred to as 'Burgundy with bubbles'.

**ULYSSE COLLIN** – Ulysse Collin's Champagnes represent the best of the current Grower Champagne movement: single vineyard, single variety and very limited in production.

**AGRAPART** – Founded in 1894, Agrapart is one of the oldest Grower Champagnes. A diverse range of high-quality non-vintage Champagnes (**7 Crus, Terroirs, Complantée, and Expérience**) complement outstanding vintage wines called **Minéral, Avizoise, Venus**.



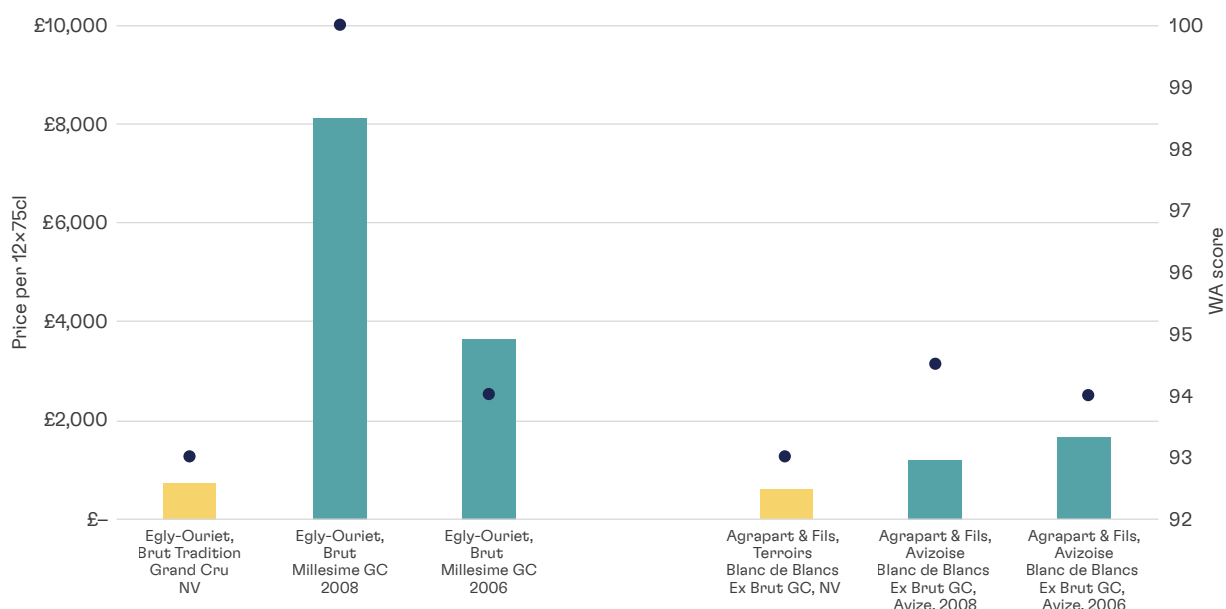
## OVERLOOKED OPPORTUNITY – NON-VINTAGE CHAMPAGNE

Champagne's investment market typically concentrates on vintage wines as they are often made in lower quantities and carry the stamp of individuality. However, we believe some non-vintage (NV) Champagnes (made by blending wines from multiple years together before the second fermentation in bottle) could form a low-risk supplement to a Champagne allocation.



**FIGURE 8 – NV Champagne: value + quality**

Price and critic score comparison of leading Grower NV and vintage Champagne

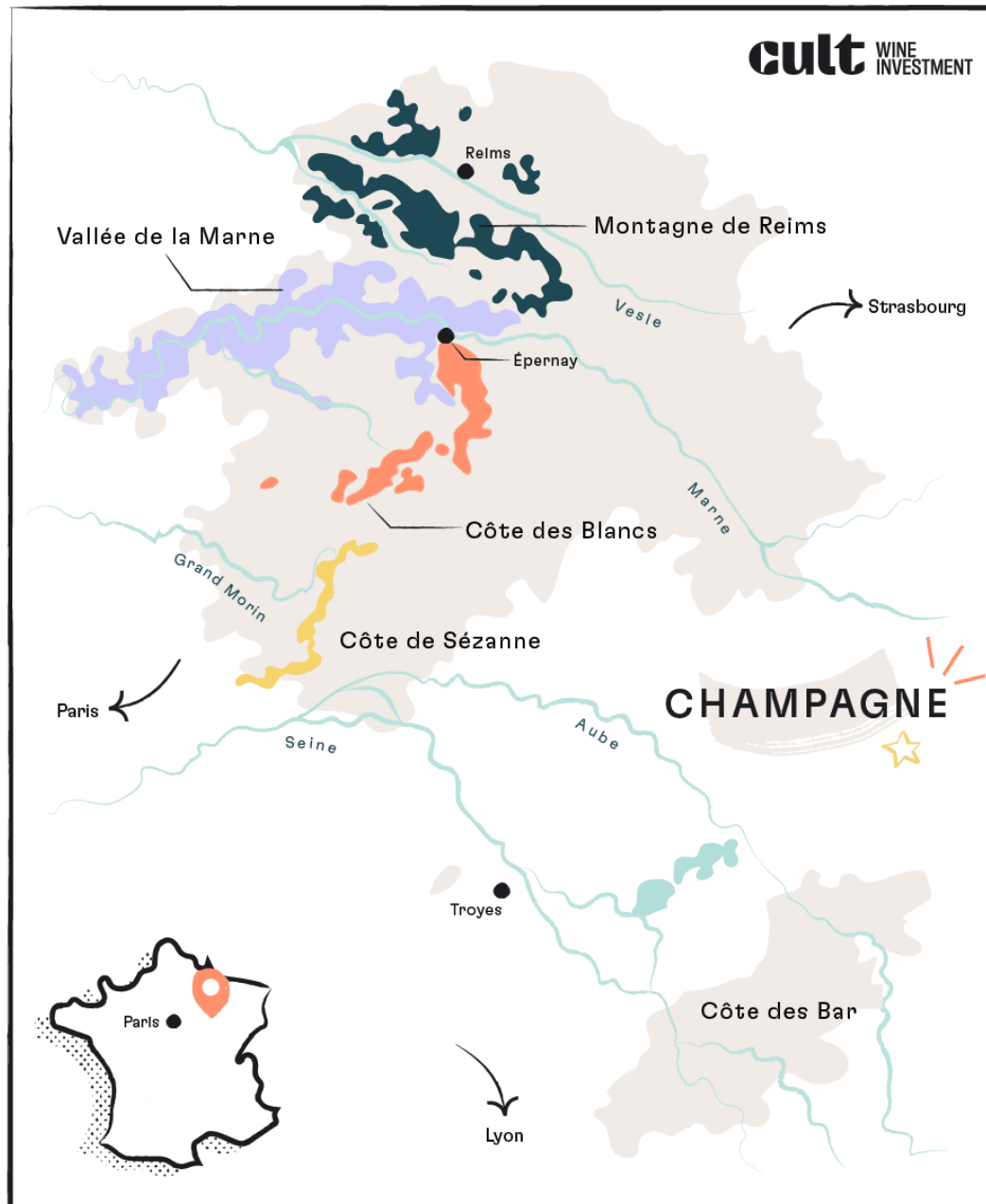


Source: Pricing data from Wine Searcher as of 01 October 2022. Critic score from Wine Advocate.

Many producers, especially in the Grower category, don't view their NV wines as lesser to the vintage Champagnes and still strive to convey a sense of terroir and individuality in each bottling. Both vintage and NV Grower Champagne production is limited to what the producer's vineyards can deliver, keeping volumes low.

Although they're typically produced in larger quantities, many buyers view them as 'drinking wines' meaning they are drunk earlier and in greater numbers. Although their scarcity (and therefore price) will never reach the level of their vintage counterparts, the shrinking supply over time does represent a low-risk investment opportunity considering their lower price points.

# MAP OF CHAMPAGNE'S SUB-REGIONS



## General disclaimer:

Past performance is not indicative of future success; the performance was calculated in GBP and will vary in other currencies. Any investment involves risk of partial or full loss of capital. The Cult Wine Investment Index is a hypothetical tool. The results depicted here are not based on actual trading and do not account for the annual management fees that may be charged to a Cult Wine Investment customer which range from 2.25% to 2.95% depending on the size of the portfolio, and there is no guarantee of similar performance with an investor's particular portfolio.



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